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Report of the Administrator

CONTENTS

Chapter		Paragraphs	Page
I.	PURPOSE	1	2
II.	STATUS OF FINANCIAL PROVISIONS FOR SUPPORT COST ARRANGEMENTS	2 - 11	2
	A. Status of project approvals for the fifth cycle	3 - 6	2
	B. Estimates of support costs for the fifth programming cycle	7 - 11	5
III.	TECHNICAL SUPPORT SERVICES	12 - 17	9
	A. Technical support services at the programme level (TSS-1)	12 - 13	9
	B. Technical support services at the project level (TSS-2)	14 - 15	10
	C. Smaller technical agencies	16 - 17	10
IV.	OTHER MATTERS	18	11
V.	EXECUTIVE BOARD ACTION	19	11

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I. PURPOSE

1. The present document reports on the implementation of Governing Council and Executive Board decisions concerning agency support costs (91/32 of 25 June 1991, 92/22 of 26 May 1992, 93/25 of 17 June 1993, and 94/26 of 7 October 1994).

II. STATUS OF FINANCIAL PROVISIONS FOR SUPPORT COST ARRANGEMENTS

2. In paragraph 33 of its decision 91/32 the Governing Coucil requested that information on the status of financial provisions for the new support cost arrangements be included in the annual progress reports on this subject. For this purpose, the status of the programme build-up and approvals for the fifth cycle under the various execution and implementation arrangements are presented in tables 1 and 2, and analysed in the subsections that follow.

A. Status of project approvals for the fifth cycle

3. It should be recalled that the new support cost arrangements were to have been introduced as of 1 January 1992, at the start of the fifth programming cycle, but actually went into effect only on 1 July 1992. Projects approved before 1 July 1992 are subject to the old arrangements for their entire duration while the new arrangements apply to projects approved after that date.

4. Table 1 summarizes project approvals up to 30 June 1995 (financed from indicative planning figures (IPFs) and Special Programme Resources (SPR)) for the fifth programming cycle, covering implementation under both the new and the old arrangements. Table 1 also estimates activities likely to be approved during the rest of the cycle under the new arrangements.

Table 1. Estimates of value of activities likely to be implemented by agencies

(millions of dollars)

		IPF	SPR	Total
1.	Available resources a/	2,996	238	3,234
2.	Projects approved under old regime (before 30 June 1992) and subsequent revisions approved to 30 June 1995	1,611	90	1,701
	of which:			
	Five agencies	650	8	658
	UNOPS	221	58	279
	National	352	16	368
	Smaller technical agencies	151	2	153
	Other b/	237	6	243
3.	Activities approved under new arrangements (30 June 1992-30 June 1995)	1,064	130	1,194
	of which:			
	Five agencies	339	10	349
	UNOPS	189	87	276
	National	342	23	365
	Smaller technical agencies	79	4	83
	Other b/	115	6	121
4.	Activities estimated to be approved under the new arrangements during rest of cycle (July 1995-December 1996)	321	18	339
	of which:			
	Five agencies	119	2	121
	UNOPS	49	11	60
	National	83	3	86
	Smaller technical agencies	28	1	29
	Other b/	42	1	43
5.	Activities likely to be implemented during the fifth cycle (sum of 2, 3 and 4 above)	2,996	238	3,234
	of which:			
	Five agencies	1,108	20	1,128
	UNOPS	459	156	615
	National	777	42	819
	Smaller technical agencies	258	7	265
	Other b/	394	13	407

a/ Excludes resources estimated to remain unspent at the end of the fifth programming cycle, and therefore, to be carried forward to the successor programming period.

b/ Includes the World Bank, IMF, Development Banks, Economic Commissions, WHO and UNV.

5. Table 2 summarizes the same information for IPF approvals only, showing activities by category of United Nations agency and national execution, and that part of national execution assigned to the United Nations agencies for implementation. Table 2 also provides a percentage breakdown of approvals under various implementation arrangements under both the new and old regimes.

Table 2. Fifth programming cycle: Summary of approved IPF budgets as of 30 June 1995

(millions of dollars)

	Five agencies	UNOPS	National execution	Smaller technical agencies	Other a/	Total
Approvals under old arrangements						
Amount	650	221	352	151	237	1,611
Percentage	40%	14%	22%	9%	15%	100%
Approvals under new arrangements						
As executing agency	219	169	512	64	100	1,064
As implementing agency for nationally executed projects	123	22	(174)	16	13	-
Subtotal:						
Amount	342	191	338	80	113	1,064
Percentage	32%	18%	32%	7%	11%	100%
Total approvals						
Amount	992	412	690	231	350	2,675
Percentage	37%	15%	26%	9%	13%	100%

a/ Includes the World Bank, IMF, Development Banks, Economic Commissions, WHO and UNV.

6. The following points may be noted from tables 1 and 2:

(a) Total IPF approvals for the fifth cycle as of 1 July 1995 amounted to $2,675 million or 90 per cent against projected programme delivery for the fifth cycle as a whole;

(b) Of this amount, a total of $1,611 million, or 60 per cent, has been approved under the old arrangements and $1,064 million, or 40 per cent, under the new arrangements;

(c) IPF project approvals under national execution have amounted to $512 million or 48 per cent of all projects approved since the new arrangements went into effect, as compared to $352 million, or 22 per cent, of all approvals under the old arrangements. It is interesting to note, however, that approximately 34 per cent of the amounts approved under the new arrangements for national execution were in turn entrusted to United Nations specialized agencies for implementation. Thus, projects under national implementation amounted to $338 million or 32 per cent of total budgets approved under the new arrangements;

(d) IPF approvals assigned for implementation by the five United Nations agencies (subject to the new regime) amounted to 32 per cent of all approvals under the new arrangements, as compared to 40 per cent of all approvals under the old arrangements. The comparable figures for UNOPS were 18 per cent and 14 per cent respectively, and those for the smaller technical agencies 7 per cent and 9 per cent respectively; and, finally, for all other agencies combined they were 11 per cent and 15 per cent respectively.

B. Estimates of support costs for the fifth programming cycle

7. Table 3 sets out total programmable resources (IPF and SPR) that were estimated to have been available for the fifth programming cycle when the new support cost arrangements were approved by the Governing Council in 1991 as well as the respective amounts that were expected to be approved under the old and new arrangements. These original estimates have been revised as of 1 July 1995 to reflect: (a) the reduction in programmable resources expected to be available during the fifth cycle and (b) the introduction of the new support cost arrangements six months later than originally planned, resulting in increased amounts approved under the old arrangements.

8. Thus, a total of$1,701 million has been approved under the old arrangements as compared to $1,000 million originally envisaged. Similarly, it is currently expected that $1,533 million will be approved under the new arrangements, a significant reduction from the $3,476 million originally envisaged. In percentage terms, it was originally envisaged that 22 per cent of the programmable resources of the fifth cycle would be approved under the old arrangements and 78 per cent under the new arrangements. In contrast, 53 per cent of programmable resources have in fact been approved under the old arrangements and only 47 per cent are expected to be subject to the new regime.

Table 3. Comparison of original and revised estimates of IPF and SPR resources available for programming during the fifth cycle

(millions of dollars)

		Original Estimates (DP/1991/25) $	%	Current Estimates (as of 1 July 1995) $	%
1.	Total programmable resources for fifth cycle	4,476	100	3,234	100
2.	Projects approved under the old arrangements	1,000	22	1,701	53
3.	Projects expected to be approved under the new arrangements	3,476	78	1,533	47

9. Based on the updated estimates of activities likely to fall under the various implementation arrangements shown in table 1, the projected flows of support cost resources from UNDP to the agencies in the fifth cycle have been recomputed and are shown in table 4. The estimates under technical support services are presented as one amount in line with Executive Board decision 94/26 authorizing the Administrator to transfer unutilized resources from TSS-2 to TSS-1 within this facility's overall reduced earmarking of $120 million. Chapter III provides for further details on technical support services.

10. Table 4 shows that under current assumptions, it is expected that approximately $253 million will become available to the five agencies subject to the new regime, $64 million to the United Nations Office for Project Services (UNOPS), and $104 million for all other agencies combined, including $5 million in estimated unutilized resources, which the Administrator has redeployed to the sectoral support facility in line with decision 94/26. It is also estimated that, in the aggregate, approximately $43 million will become available to programme countries as savings from the IPF sub-lines.

Table 4. Estimates of support cost income for the fifth cycle

(millions of dollars)

	Five agencies	UNOPS	National execution	Smaller technical agencies	Other a/	Total
Resources held centrally						
1. Support costs for transitionary projects	85.5	30.7	-	19.9	31.6	167.7
2. Provision for nationally implemented projects (approved before 1 January 1993)	-	-	17.0 b/	-	-	17.0 b/
3. Payments for agencies subject to current regime from central resources	-	-	-	8.4 c/	2.6	11.0 c/
4. Support costs for SPR-funded projects (excluding line 2)	1.2	9.8	-	0.5	0.7	12.2
5. Agency flexibility provisions	-	-	-	14.1	-	14.1
Technical support services						
6. TSS-1, TSS-2 and Technical support for national execution	120.0 d/	-	-	-	-	120.0 d/
IPF sub-line resources						
7. Administrative and operational services (AOS) paid to external agents	45.8	23.8	-	10.7	15.7	96.0
Savings in IPF sub-line	-	-	42.5	-	-	42.5
Total	252.5	64.3	42.5 e/	53.6	50.6	463.5 e/

a/ Includes the World Bank, International Monetary Fund, Development Banks, Economic Commissions, World Health Organization and United Nations Volunteers.

b/ To be financed from unutilized resources carried over from the support cost line of the fourth programming cycle and, therefore, not included in the total.

c/ Includes $5 million in estimated unutilized resources which the Administrator has redeployed to the sectoral support facility. Decision 94/26 refers.

d/ Technical support services are presented as one amount in line with decision 94/26 authorizing the Administrator to transfer unutilized resources from TSS-2 to TSS-1 within the overall reduced earmarking in this facility of $120 million.

e/ Excludes line 2.

11. Table 5 compares the current status of the various financial provisions for support cost arrangements in the fifth cycle with the original provisions approved in Governing Council decision 91/32. The current estimate of resources necessary to finance the new support cost arrangements is to $464 million.

Table 5. Status of financial provisions relating to programme support costs, fifth programming cycle, 1992-1996

(millions of dollars)

	Financial provisions per decision 91/32	Current estimates
Resources held centrally		
1. Support costs for transitionary projects	109	168
2. Provision for nationally implemented projects (approved before 1 January 1993)	17 a/	17 a/
3. Payments for agencies subject to current regime from central resources	18	11 b/
4. Support costs for SPR-funded projects (excluding line 2)	23	12
5. Agency flexibility provisions	10	14
Technical support services		
6. TSS-1, TSS-2 and technical support for national execution	144	120 c/
IPF sub-line resources		
7. Country and intercountry IPF sub-lines	323	139
Total	627 d/	464 d/

a/ To be financed from unutilized resources carried over from the support cost line of the fourth programming cycle and therefore not included in the total.

b/ Includes $5 million in estimated unutilized resources which the Administrator has redeployed to the sectoral support facility. Decision 94/26 refers.

c/ Technical support services are presented as one amount in line with decision 94/26 authorizing the Administrator to transfer unutilized resources from TSS-2 to TSS-1 within the overall reduced earmarking in this facility of $120 million.

d/ Excludes line 2.

III. TECHNICAL SUPPORT SERVICES

A. Technical support services at the programme level (TSS-1)

12. As noted previously in document DP/1994/23, UNDP and the agencies have jointly prepared work programmes for TSS-1 activities covering the two bienniums 1992-1993 and 1994-1995; implementation of these programmes is currently under way. A third work programme covering the remainder of 1995 and 1996 is in the final stages of preparation. It may be recalled that in its decision 94/26 the Executive Board authorized the Administrator to transfer unutilized resources from TSS-2 to TSS-1, within the overall reduced earmarking of $120 million. Thus, the total amount allocated for TSS-1 activities so far in the fifth programming cycle totals $75.8 million, exceeding the original earmarking of $64 million. Table 6 shows a breakdown of this amount by the agencies assigned to carry out these activities.

Table 6. Value of 1992-1996 TSS-1 activities

(millions of dollars)

	$	%
FAO	13.9	18
UN/DDSMS	17.1	23
ILO	13.8	18
UNIDO	10.8	14
UNESCO	8.0	11
Activities to be carried out by multiple agencies a/	3.5	5
Reserve for programming flexibility b/	8.7	11
TOTAL	75.8	100

a/ Represents activities with more than one agency involved for which budgetary provisions have been made in the aggregate only.

b/ An amount of approximately $6.0 million or 8 per cent has been broadly earmarked for activities which require further elaboration.

13. Activities programmed under this facility continue to provide an effective means for Governments to access the expertise of the specialized agencies for the formulation of sectoral strategies and programmes. They are particularly crucial at this stage of the fifth cycle, as preparations take place for the implementation of the new programming arrangements for the next period. Thus, the resources made available under the third and most recent tranche of TSS-1 are intended primarily to involve the specialized agencies in the formulation of the programmes for the next programming period.

B. Technical support services at the project level (TSS-2)

14. In accordance with the provisions of Governing Council decision 91/32, TSS-2 budgets for financing agency technical support services at the project level are approved in the sectors represented by the five agencies (subject to the new arrangements). Such TSS-2 budgets are approved both for projects assigned for agency execution as well as those assigned for national execution under the new arrangements. After a period of slow build-up immediately following its introduction, approval of TSS-2 budgets has accelerated and currently amounts to $19.5 million.

Table 7. Services provided by specialized agencies and related IPF budgets

as of May 1995

(millions of dollars)

Agency providing TSS-2 services	TSS-2 budgets by executing agency								Value of related IPF budgets	TSS-2 budgets as a percentage of related IPF budgets
	UN/DDSMS	FAO	ILO	UNIDO	UNESCO	National execution	Others	Total		
UN/DDSMS	3.0	-	-	-	-	2.7	0.3	6.0	145.7	4.1%
FAO	-	2.6	-	-	-	3.0	0.2	5.8	151.2	3.8%
ILO	-	-	1.9	-	-	1.2	-	3.1	84.1	3.7%
UNIDO	-	-	-	1.1	-	1.7	-	2.8	85.2	3.3%
UNESCO	-	-	-	-	0.7	1.0	0.1	1.8	45.6	4.0%
TOTAL	3.0	2.6	1.9	1.1	0.7	9.6	0.6	19.5	511.8	3.8%

15. Table 7 summarizes the status of TSS-2 approvals as of May 1995. It may be noted that TSS-2 services are roughly equally divided between agency-executed projects ($9.3 million) and nationally executed projects ($9.6 million). On average, TSS-2 budgets constitute approximately 3.8 per cent of their associated total project budgets, which is not inconsistent with the original TSS-2 earmarkings in the fifth cycle of $80 million, representing 4.6 per cent of programmable resources.

C. Smaller technical agencies

16. In accordance with decision 94/26, sectoral support resources available to the smaller technical agencies for the fifth cycle of $11 million were enhanced by an additional $5 million through the redeployment of unutilized

resources remaining in line 3 of table 5 in document DP/1994/23. Of the $16 million total resources available, $13 million have now been programmed.

17. Resources from the enhanced sectoral support facility have been made available directly to the smaller technical agencies, which in turn have consulted with Governments and UNDP country offices on their utilization. These resources have in general been programmed for the following purposes: (a) as requested by Governments, in the design and backstopping of projects; (b) to participate in country programming exercises, including in the preparation of country strategy notes, and programme support documents, particularly in countries where these agencies are not represented; and (c) to provide sectoral and policy advisory services to Governments.

IV. OTHER MATTERS

18. Revised Financial Regulations and Rules necessitated by the new support cost arrangements will be submitted to the Executive Board at a later date. This will facilitate the consideration of the support cost arrangements within the overall set of procedures and guidelines that are being developed for the implementation of the full range of facilities under the successor programming arrangements approved by the Executive Board in its decision 95/23 to take effect 1 July 1995. A full report on these procedures will be provided to the Board at its first regular session 1996.

V. EXECUTIVE BOARD ACTION

19. The Executive Board may wish to take note of the present report.